

hogs. Conversely, whenever the market price of live hogs is greater than the floor price, Morrell will first apply one-half of the difference between the market price and the floor price per hundred weight of delivered hogs to reduce or eliminate a negative balance, if any, in the producer's ledger account. If the ledger account does not have a negative balance (or as soon as the negative balance has been reduced to zero), Morrell will pay the balance of the market price to the producer, except that, whenever the balance of the market price payable to the producer (after reducing any negative balance in the producer's ledger account to zero) exceeds \$50.00/cwt., Morrell will first apply the lesser of \$1.00/cwt. or the amount by which the market price exceeds \$50.00/cwt. to build up a reserve (i.e., a positive balance) in the producer's ledger account. The positive balance in the producer's ledger account will never be allowed to exceed an amount equal to \$3.00 times the number of market hogs the producer has projected to produce over the three-year period.

At the end of the three-year period, unless Morrell and the producer mutually agree to extend the term, the MVP Program will expire. At that time, if the producer's ledger account shows a positive balance, then Morrell will pay this amount to the producer in cash, without interest, within 30 days; or, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days.

Market Price Defined

For purposes of the MVP Program, market price refers to the mid-morning (11:00 a.m.) Iowa Minnesota plant practical top average (up to \$1.00 spread on bulk, as quoted on the D.T.N.) on a three-day average prior to the kill date.

Example (for hogs killed on Friday):

Tuesday quote	\$47.50 - 49.00	F. 47.00 (pract. top Ave. 48.00)
Wednesday quote	\$46.50 - 47.50	F. 48.00 (pract. top Ave. 47.00)
Thursday quote	\$47.00 - 48.00	F. 46.50 (pract. top Ave. 47.50)

Market price (based on three-day average) is: \$47.50

All prices referenced herein are for plant-delivered market hogs at Morrell's facilities at either Sioux Falls, South Dakota, or Sioux City, Iowa. Destinations and delivery dates must be approved by Morrell prior to each delivery. Morrell reserves the right to direct the delivery of hogs to facilities other than the one facility referenced to on Participation Agreement as "primary delivery facility" at any time. In which event Morrell will adjust the price payable hereunder to fully compensate the producer for any difference in freight charges incurred.